

ACCOUNTING FOR PERKINS LOAN FUND

In order to maintain a cumulative current balance from inception to date for each account in the Perkins program we will utilize asset and liability accounts to track the various activities. The use of fund addition and fund deduction codes, or the revenue and expense codes do not show the cumulative balances as they reinitialize at every beginning of the year. The use of fund codes in lieu of accounts would be practically too cumbersome and would not provide a close crosswalk to the FISAP report. Tracking each activity with the asset and liability account codes within a single fund gives us an immediate reconciliation online between Banner and the FISAP report. The Perkins Loan Fund is 4001 and the accounts, compared to the former FRS, are as follows.

FEDERAL PERKINS LOANS

Banner	FRS		Beg Bal	YTD Actual	Current Bal
Account	Ctl	Description			
1101	1100	CASH	225,379.80	47,585.02-	177,794.78

Loans Advances, Repayment, and Cancellations:

1313	1360	LETTER OF CREDIT REC	0.00	0.00	0.00
1315	1380	GRANTS RECEIVABLE	0.00	0.00	0.00
1410	1410	FUNDS ADVANCED-STDS	5,293,749.00	269,615.00	5,563,364.00
1416	1416	LOAN PRIN COLLECTED	2,949,509.29-	109,083.00-	3,058,592.29-
1417	1417	ASSIGNED LOAN PRIN	288,401.64-	0.00	288,401.64-
1419	1419	PRIN TCH 10% < 72	197,160.00-	0.00	197,160.00-
1420	1420	PRIN TCH 15% < 72	130,017.00-	0.00	130,017.00-
1421	1421	PRIN MTRY 12.5% < 72	3,088.75-	0.00	3,088.75-
1422	1422	PRIN-TCH 15% > 72	48,201.00-	2,085.00-	50,286.00-
1423	1423	PRIN-TCH 20% > 72	51,556.16-	1,091.40-	52,647.56-
1424	1424	PRIN-TCH 30% > 72	26,252.66-	4,950.00-	31,202.66-
1425	1425	PRIN-MTRY 12.5% > 72	100.00-	0.00	100.00-
1428	1428	PRIN CANCELLED-DEATH	18,469.58-	0.00	18,469.58-
1429	1429	PRIN CANCELLED-DSABL	1,233.43-	0.00	1,233.43-
1430	1430	PRIN CANCELLED-BKRTY	7,000.14-	0.00	7,000.14-
1431	1431	PRIN ADJTS-OTHER	347.75-	1.06	346.69-
1437	1437	PRIN LAW ENFORC 15%	675.00-	0.00	675.00-
1440	1440	PRIN TCH SER SH 15%	0.00	540.00-	540.00-
1446	1446	HIGH RISK CHLDRN 15%	1,260.00-	180.00-	1,440.00-
1447	1447	PRN SVC HI RSK CH20%	0.00	400.00-	400.00-
1499	1499	ALLOW DOUBTFUL LOANS	173,050.14-	0.00	173,050.14-
1171	1620	UNAPPLIED CREDIT	50.00-	3,365.21-	3,415.21-
4110	3400	FUND BAL-LOANS	1,622,756.26-	100,336.43-	1,723,092.69-

Income:

2400	4400	FED CAPTL CONTRBTION	1,998,952.00-	68,142.00-	2,067,094.00-
2405	4410	PHEAA CAP CONTRBTION	210,637.02-	5,672.00-	216,309.02-
2410	4816	UNIV MATCH (MT CF)	54,207.00-	17,042.00-	71,249.00-
2415	4440	INT EARNED ON LOANS	416,668.41-	15,347.67-	432,016.08-
2420	4320	INVESTMENT INCOME	103,510.74-	7,867.59-	111,378.33-
2425	4700	OTHER INCOME	60,285.32-	512.97-	60,798.29-
2430	4720	CAN RPYMT AMTS > 72	119,860.00-	9,663.00-	129,523.00-

Deductions:

2450	5201	ADMIN EXPENSE	234,582.13	13,480.75	248,062.88
2452	5205	COLLECTION EXPENSE	47,731.55	293.43	48,024.98
2454	5210	COST P & I-TCH < 72	374,575.82	0.00	374,575.82

2456	5211	COST P & I-TCH > 72	140,924.87	8,901.69	149,826.56
2458	5220	COST P & I-MTRY < 72	3,088.75	0.00	3,088.75
2460	5221	COST P & I-MTRY > 72	100.00	0.00	100.00
2462	5230	COST P & I-DEATH	18,532.31	0.00	18,532.31
2464	5231	COST P & I-DISABILITY	1,293.91	0.00	1,293.91
2466	5240	COST P & I-BKRPTY	7,226.68	0.00	7,226.68
2468	5247	COST P&I-LAW ENF 15%	859.17	0.00	859.17
2470	5250	COST P&I-TCH SER 15%	0.00	540.00	540.00
2472	5256	HIGH RISK CHLDRN 15%	1,419.82	225.25	1,645.07
2474	5257	COST P&I-HI RISK 20%	0.00	469.97	469.97
2476	5270	COST P & I-ASSIGNED	334,654.08	0.00	334,654.08
2478	5272	FEES ACCEPTED	7,329.15	0.00	7,329.15
2480	5275	OTHER COST OR LOSSES	2,202.85	0.29-	2,202.56
2489	5780	CONTRA ALLOWANCE	173,050.14	0.00	173,050.14

The tracking of assets, from Cash to Loans Advanced to Students, to the various Loan Cancellations, is similar in Banner as in FRS. When a student gets a loan, we debit Loan Advanced to Student account (1410) and credit cash (1101). When the student repays, debit Cash and credit Loan Principal Collected (1416).

The accounting approach takes a slight twist, however, when recording the incomes. While we used to treat federal fund, state Pheaa fund, or university match as additions to Loan Fund Balances, we will treat them in this system as Liabilities within the Perkins fund. This concept is acceptable and also logical in that the federal fund is turned over to the University for revolving loan purposes. Likewise, the Pheaa fund and University's match are payable (by the Perkins fund) to the state or the university if or when the Perkins program ceases. At that point, if the university converts the funds for other uses, we would close out the Perkins by debiting these liability accounts. Furthermore, any increase to the Perkins program resulting from the investment of funds, or the repayments of loan cancellations, or the recovery of collection costs will also increase Cash and the appropriate liability accounts created to track these items.

We must remember nonetheless that on the financial statements the Perkins Loan will be reflected as a Loan Funds fund balance. This is easily accomplished by looking at the liability accounts that represent the income: 2400 Federal Contribution, 2405 Pheaa, 2410 University Match, etc.

When we receive an authorization to cancel a loan, we will debit the appropriate code 24xx and credit the corresponding code 14xx. For example, debit 2454 and credit 1419 to show the cancellation of Cost and Principal for Teaching. Debiting to 2454 make sense because it represents a deduction from the total liability due to an authorized cancellation. Likewise, crediting to asset 1419 reduces the loans outstanding.

Essentially, within the Perkins program assets will equal liabilities. Therefore, either the net assets (sum of all the 14xx) or the net liabilities can be shown as the fund balance on the Statement of Changes in Fund Balance, when preparing the financial statements.

Processing the Beginning Balances.

In processing the beginning balances we will offset all debits and credits to Cash. The FRS Fund Balance account 3400 will not need to be posted in Banner. When we convert the beginning balance by program, we will prevent the crossing of the FRS fund balance by not providing a crosswalk account.